

Message Text

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ACTION NEA-10

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01

AGRE-00 L-03 INT-05 NSC-05 SS-15 STR-04 CEA-01 FEAE-00

ERDA-07 OES-06 DODE-00 /125 W
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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 0263

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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SUBJ: IRAN-BRAZIL ECONOMIC RELATIONS

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1. THE FIRST MEETING OF THE IRANO-BRAZILIAN JOINT MINISTERIAL COMMISSION FOR ECONOMIC COOPERATION WAS HELD IN TEHRAN NOVEMBER 27-30, WITH THE DELEGATIONS LED RESPECTIVELY BY MINISTER OF ECONOMIC AFFAIRS AND FINANCE (MEAF) HUSHANG ANSARY AND MINISTER OF FINANCE MARIO HENRIQUE SIMONSEN. THE GOB DELEGATION OF 12 INCLUDED BANCO DO BRAZIL PRESIDENT ANGELO CALMON DE SA, WHO OFFICIATED AT THE OPENING OF HIS BANK'S REPRESENTATIVE OFFICE IN TEHRAN. ACCOMPANYING THE OFFICIAL DELEGATION WERE SOME 16 BRAZILIAN BUSINESSMEN WHO PURSUED CONTACTS IN SUCH FIELDS AS ROAD, PORT AND HOUSING CONSTRUCTION, AGRICULTURE AND AUTO SPARE PARTS. THE MEETING RECEIVED CUSTOMARY GOOD PRESS COVERAGE, WHICH FOCUSED ON THE FINAL DAY'S SIGNING OF A PROTOCOL FOR
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ECONOMIC COOPERATION. TECHNICAL EXPERTS WILL CONVENE IN

BRAZIL IN ABOUT SIX MONTHS UNDER THE COMMISSION UMBRELLA TO ADVANCE POSSIBLE JOINT VENTURES DISCUSSED IN TEHRAN; THE SECOND MINISTERIAL COMMISSION SHOULD MEET IN BRAZIL IN A YEAR, THOUGH NO DATE WAS SET.

2. THE RANGE OF ECONOMIC COOPERATION DISCUSSED AS WELL AS THE ONE FIRM JOINT VENTURE CONTRACT SIGNED EVIDENCED CONSIDERABLE PREPARATION FOR THE MEETING. THE PRESIDENTS OF THE BANK OF BRAZIL AND THE AGRICULTURAL DEVELOPMENT BANK OF IRAN (ADBI) SIGNED ON NOVEMBER 29 AN AGREEMENT TO ESTABLISH A SOYBEAN EXTRACTION PLANT TO HAVE AN INITIAL ANNUAL CAPACITY OF 300,000 TONS, TO INCREASE TO ONE MILLION TONS. BRAZIL WILL PROVIDE THE SOYBEANS, MACHINERY AND TECHNICAL KNOW-HOW. THE 70/30 IRAN/BRAZIL VENTURE INITIALLY WILL INCLUDE EQUITY FROM THE BANK OF BRAZIL, THE ADBI AND THE INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN BUT IRANIAN PRIVATE PARTICIPATION WILL BE SOUGHT LATER. IN CONNECTION WITH THIS VENTURE, A JOINT EFFORT IS PLANNED TO ESTABLISH IN THE PERSIAN GULF A SPECIAL BULK CARGO FACILITY.

3. BRAZILIAN EMBASSY TEHRAN COUNSELOR GIO DE 'OURO-PRETO TERMED THE FOLLOWING ITEMS MENTIONED IN THE PROTOCOL AS JOINT VENTURE "POSSIBILITIES", ALL OF WHICH WOULD REQUIRE CONSIDERABLE PURSUIT AND PLANNING BEFORE REALIZATION: 1) IN AGRICULTURE, SOYBEAN CULTIVATION IN IRAN AND PROCESSING THEREOF FOR ANIMAL FODDER AND CHICKEN FEED AND A SUGAR REFINERY; 2) SULPHUR AND CHEMICAL FERTILIZER PLANTS IN IRAN; 3) A SHIPPING COMPANY FOR THE BRAZIL/PERSIAN GULF ROUTE; 4) IN MANUFACTURING, PULP/PAPER AND AUTOMOBILE FACILITIES IN IRAN, AND 5) IN MINING, THE PROTOCOL AGREED "TO SEEK COOPERATION WITH THIRD COUNTRIES IN PRODUCTION OF ALUMINA" AND BRAZIL SAID IT WAS PREPARED TO EXPORT TO IRAN UP TO THREE MILLION TONS OF IRON ORE A YEAR. TWO COUNTRIES AGREED TO EXPAND CONTACTS AND COOPERATION BETWEEN THEIR BANKING INSTITUTIONS AND STEEL CORPORATIONS.

3. PRESS COVERAGE HEADLINED AS AN OBJECTIVE OF BILATERAL TRADE ON ANNUAL LEVEL OF \$1 BILLION IN A FEW YEARS; COUNSELOR OURO-PRETO SAID BRAZIL WOULD BE PLEASED TO SEE IT UNCLASSIFIED

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REACH \$500 MILLION, ESPECIALLY IF IT BECOMES MORE BALANCED. FROM A BILATERAL LEVEL OF \$160 MILLION TWO YEARS AGO (REF-TEL), TRADE INCREASED TO \$270 MILLION IN 1975, BUT IRAN'S EXPORTS ACCOUNTED FOR \$200 MILLION OF THIS. THE PROTOCOL CALLED FOR EXPANDED TRADE AND IN RECIPROCITY FOR BRAZIL'S STATED INTENT (NO QUANTITIES MENTIONED) TO INCREASE ITS OIL PURCHASES FROM IRAN, IRAN WILL IMPORT BRAZILIAN FIBERS, SOYBEANS, RICE AND RED AND WHITE MEAT. BRAZIL'S

EXPORTS HAVE THUS FAR BEEN PRINCIPALLY SOYBEAN AND SUGAR.

4. IRAN'S INVOLVEMENT IN BRAZILIAN INDUSTRY WAS ACHIEVED RECENTLY PRIOR TO AND APART FROM THE JOINT COMMISSION THROUGH INVESTMENTS ACCOMPLISHED BY DRUPP, IN WHICH THE GOI HAS A 25.01 EQUITY. THE TEHRAN PRESS REPORTED THAT KRUPP (IRAN) TOOK 40 PERCENT EQUITY EACH IN KRUPP METAL-URGICA CAMPO LIMPO S.A. (MOTOR PARTS) AND KRUPP INDUSTRIES MECHANICS LTD. IN MINAS GERAIS, WHICH MAKE HEAVY MACHINERY. A MEAF OFFICIAL SAID IT HAS DISBURSED 204.3 MILLION DM (ABOUT \$82 MILLION) FOR THESE TWO INVESTMENTS. HELMS

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